

VZCZCXYZ0016  
PP RUEHWEB

DE RUEHCV #1455 2902028  
ZNR UUUUU ZZH  
P 162028Z OCT 08  
FM AMEMBASSY CARACAS  
TO RUEHC/SECSTATE WASHDC PRIORITY 1989  
INFO RUEHBO/AMEMBASSY BOGOTA 7887  
RUEHLP/AMEMBASSY LA PAZ OCT LIMA 1103  
RUEHQT/AMEMBASSY QUITO 2917  
RHEHNSC/NSC WASHDC  
RUMIAAA/HQ USSOUTHCOM MIAMI FL  
RUCPDO/DEPT OF COMMERCE  
RUEATRS/DEPT OF TREASURY

UNCLAS CARACAS 001455

SENSITIVE  
SIPDIS

HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR MMALLOY  
NSC FOR JSHRIER  
COMMERCE FOR 4431/MAC/WH/MCAMERON

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [VE](#)  
SUBJECT: BRV SUBMITS 2009 BUDGET, FOR WHAT IT'S WORTH

REF: 2007 CARACAS 2040

¶1. (U) Press reports indicate that the Bolivarian Republic of Venezuela (BRV) has submitted the 2009 budget to the National Assembly (AN), though it has not yet been formally presented by the Minister of Finance as is the custom. According to these reports, which cite AN deputy and president of the Finance Commission Ricardo Sanguino, projected central government spending for 2009 is 169 billion bolivars (Bs), or USD 78 billion at the official exchange rate. This amount represents an increase of 23 percent over the initial 2008 budget. Per the press reports, key assumptions for 2009 include an average price of USD 60 per barrel for Venezuelan oil exports, annual inflation of 15 percent, a real growth rate of 6 percent, and an exchange rate of 2.15 Bs/USD, the same as it has been since 2005.

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Comment  
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¶2. (SBU) BRV budgets are not reliable guides to spending or to the indicators mentioned above. Central government spending is generally increased significantly throughout the course of the year through additional credits approved by the National Assembly. To date in 2008, these credits total Bs 38 billion, adding 27 percent to the initial 2008 budget. More importantly, a significant part of fiscal spending - perhaps on the order of 30 percent - takes place off-budget, through an array of discretionary funds. The inflation estimate is laughably low, as it was in the 2008 budget (where it was estimated at 11 percent (reftel), but will likely end the year at 30 percent).

¶3. (SBU) The most surprising feature of the 2009 budget, given what has been leaked to the press to date, is the estimated oil price of USD 60 per barrel. The BRV regularly lowballs the estimated oil price, partly to be conservative, partly to compensate for inflated export numbers, and partly to increase discretion in its use of oil revenue (septel). Given the recent decline in oil prices, USD 60 per barrel seems far more realistic than the estimate of USD 35 per barrel in the 2008 budget seemed at the time. A likely explanation is that the BRV had been expecting oil prices to remain above USD 100 per barrel and was taken by surprise by the rapid drop in the past several weeks. End comment.  
CAULFIELD